Rhodia Pension Fund

Statement of Investment Principles – May 2026 (replaces September 2025)

1. Introduction

Syensqo Pensions Trust Limited ("the Trustee") has drawn up this Statement of Investment Principles ("the Statement") in its capacity as Trustee of the Rhodia Pension Fund ("the Fund"). The Statement has been prepared in accordance with the requirements of Section 35 of the Pensions Act 1995 ("the Act"), the Occupational Pension Funds (Investment) Regulations 2005, subsequent legislation and associated requirements. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. This Statement replaces the previous version, dated March 2024.

In preparing this Statement the Trustee has consulted Syensqo Solutions UK Limited, the Fund's Principal Employer ("the Company"). The Trustee has also obtained and considered written professional advice from the Fund's investment consultant.

2. Process For Choosing Investments

The Trustee has considered its objectives for investing the Fund assets. Investment and funding objectives are considered together and in light of the Company covenant to ensure that the two are compatible and supportable. The Trustee makes all major strategic decisions including, but not limited to, the Fund's asset allocation and the appointment and termination of investment manager(s).

The process for choosing investments is as follows:

- Identify appropriate investment objectives.
- Agree the level of risk consistent with meeting the objectives set.
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed (taking into account any limitations on the overall complexity of arrangements appropriate to the size of assets under management).

The Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Fund. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Fund, the Trustee has obtained and considered the written advice of the Fund's investment consultant. The advice received, and arrangements implemented based on this advice, are consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee's overall objectives are set out below and the risks and other factors referenced are those that the Trustee determines to be financially material considerations in relation to the Fund:

- Ensure that there will be sufficient assets to meet all benefit payments as they fall due;
- Generate investment returns to close the funding gap;
- Ensure risks are kept within an acceptable level;
- Hedge liability risk to reduce the volatility of the funding level and/or deficit;
- Ensure income is appropriately sourced to meet the Fund's cashflows and liquidity requirements;
- Have an appropriate and effective governance framework;
- Be a responsible steward of the Fund's assets in line with the Trustee's ESG beliefs; and
- Meet regulatory and compliance requirements.

Given the nature of the liabilities, the investment time horizon of the Fund is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Fund's investment horizon significantly.

4. Risk Management and Measurement

There are various risks to which any pension Fund is exposed which the Trustee believes may be financially material to the Fund. The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

The Trustee's policy on risk management and measurement is as follows:

- The primary investment risk faced by the Fund arises as a result of a mismatch between the Fund's assets and its liabilities. This is therefore the Trustee's principal focus in setting investment strategy, taking into account the nature and duration of the Fund's liabilities.

Key strategic investment risks that impact on Fund funding are as follows:

- Equity Market Risk – the risk that asset valuations fluctuate in an uncorrelated way with the value of the liabilities.
- Interest Rate Risk – the risk that changes in the value of the assets do not move in line with changes in the value placed on the Fund's liabilities in response to changes in interest rates.

- Inflation Risk – similar to interest rate risk but concerning inflation.

- Credit Risk – the risk that one party to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation.

- Currency Risk – the risk that foreign currency exposure causes asset valuations to fluctuate in an uncorrelated way with the value of the liabilities which are denominated in Sterling.

- Liquidity Risk – the risk that the Fund doesn't have sufficient liquid assets to meet payments.

Considerations specific to Environmental, Social and Governance issues are addressed in Section 11.

To manage investment risks the Trustee has established an investment policy designed to reduce risk, without damaging the Fund's long term return prospects, using asset- liability modelling conducted by its investment consultant which measures the contribution of different risk factors to overall Value at Risk ("VaR").

In particular:

- Management of equity risk is delegated to the Fund's investment managers, who are expected to mitigate equity risk by holding diversified portfolios of companies globally by stock, sector and market region. They may also use derivatives to manage downside risk where permitted within their respective mandates. The Trustee can also control exposure to equity risk through the strategic allocation to funds which invest in equities.

- The Trustee has also developed a Liability Driven Investment ("LDI") framework which seeks to reduce the mismatch between the sensitivity of the assets and the liabilities to changes in interest rates and inflation. The LDI portfolio targets interest rate and inflation hedge ratios of 94%, relative to a Liability Benchmark Portfolio ("LBP") calculated using point in time modelling, based on Technical Provisions liabilities. The analysis is refreshed periodically. The Trustee recognises that the target LDI portfolio will not produce a perfect match for the liability exposures it is aiming to hedge. Furthermore, the Trustee recognises that there are different measures (i.e. funding bases) for calculating the liabilities that may not be closely matched by the LDI assets held.

- The Fund's LDI portfolio is held on a segregated basis, including direct allocations to gilts, index-linked gilts, cash, cash pooled funds and partially funded instruments including derivatives. Given that the underlying investments include derivative exposures, there are additional risks compared to investing in a physical asset. These include:

    - Basis risk (the risk that the derivative invested in does not perfectly match the physical asset that the derivative has replaced).

    - Roll risk (the risk that the terms available when the derivative is taken out are not available when the contract expires and is replaced).

    - Recapitalisation risk (the risk that adverse price movements require payment of capital in order to maintain the position).

- Collateral and counterparty risk (the risk that the party with whom the LDI manager has contracted defaults and that any collateral is insufficient to make good any resulting loss).

These risks are mitigated through the specific arrangements that are implemented so that the likelihood of the risks is low and/or the impact of them is low.

- Management of credit risk is delegated to the Fund's investment managers who are expected to mitigate credit risk by holding portfolios of predominantly investment grade bonds appropriately diversified by issuer. They may also use derivatives to manage downside risk where permitted in their respective mandates. The Trustee can also control exposure to credit risk through the strategic allocation to funds which are invested in credit assets.

- Currency risk is managed by the Fund's investment managers by hedging, where appropriate. The Trustee notes that investment managers may take speculative currency positions within the risk limits specified in their respective mandates in order to generate return.

- Regarding liquidity risk, the majority of the Fund's investments are realisable at short notice in most prevailing market conditions.

The Trustee recognises the following additional risks and takes the following steps to manage risk:

- Risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio.

- The documents governing the investment manager(s) appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund. The manager(s) are prevented from investing in asset classes outside of their mandate without the Trustee's prior consent.

- Arrangements are in place to monitor the continuing suitability of the Fund's investments. To facilitate this, the Trustee meets periodically with the Fund's investment manager(s) and receives regular reports from the investment manager(s) and investment consultant.

- The safe custody of the Fund's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

- Across all of the Fund's investments, the Trustee is aware of the potential for regulatory and political risks. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.

Overall, the Trustee primarily measures and manages investment risk through the investment strategy (outlined in Section 6) and reviews the appropriateness of this strategy on a regular basis.

The degree of investment risk that the Trustee is willing to take depends on a number of factors, including the strength of the Company's covenant, financial health of the Fund, the Fund's liability profile and investment time horizon. The Trustee will monitor these with a view to altering the investment objectives, risk tolerance and/or return target and asset mix, should there be a significant change in these factors.

5. Portfolio Construction

The Trustee has adopted the following principles on portfolio construction:

- There is a role for both **active and passive management**. Passive management involves employing investment managers to deliver a return equal to a chosen benchmark appropriate to the asset class held. Active management involves employing investment managers who aim to outperform a benchmark but with a risk that they will underperform. By employing both the Trustee aims to take advantage of active management where it believes it is likely to lead to outperformance net of fees, while using passive management in other areas or alongside active management to control overall manager risk and to manage overall fee levels.

- Decisions on **segregated vs pooled investments** will be taken based on the particular circumstances, including the available vehicle, investment restrictions contained in pooled funds, the need for and availability of an independent custodian, ease of administration and portability of underlying investments. Investment exposure is currently obtained via a mix of segregated and pooled investments.

- At the total Fund level investments should be broadly **diversified** to ensure there is not a concentration of exposure to any one issuer, to the extent that this is not protected (e.g. by collateral). This restriction does not apply to investment in UK Government debt. Appropriate diversification between markets will also be ensured.

- The amount invested in **highly concentrated portfolios** will take into account the level of risk this represents taking into account the Fund's assets overall.

- The Trustee recognises that there is **liquidity risk** in holding assets that are not readily marketable and realisable. Given the long-term investment horizon of the Fund, the Trustee believes that a degree of liquidity risk is acceptable because it expects to be rewarded for assuming it. The amount invested in any illiquid investments, such as property or pooled property funds, will take into account the implications of not being able to readily liquidate a proportion of the Fund's investment on the operation of the Fund.

- Investment in **derivatives** is permitted directly or within pooled funds for risk reduction purposes or to facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).

- Investment may be made in securities that are **not traded on regulated markets**. Recognising the risks (in particular liquidity and counterparty exposure), such investments will normally only be made with the purpose of reducing risk or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Fund are predominantly invested on regulated markets.

- The Trustee will not invest directly in the **Fund sponsor or associated companies**, but acknowledges that indirect investment is possible as a result of the investment policies of the Fund's pooled investment manager(s). The Trustee will invest in such a way that indirect exposure will not exceed 5% of total assets.

- **Direct borrowing** (such as the use of an overdraft facility) is not permitted except to cover short term liquidity requirements. The use of **borrowing within pooled funds** is reviewed by the Trustee as part of the onboarding process for new investments.

6. Investment Strategy

The Trustee has agreed, based on expert advice, an investment strategy that is consistent with its funding and investment objectives. The target split of assets within each asset class (excluding any cash held separately to meet day to day cash flow requirements) is outlined in the table below. The Trustee believes that the investment risk arising from the investment strategy is consistent with the policy outlined in Section 4.

Fund	Target Allocation (%)
Growth Assets	**67.0**
Equities	5.0
Open-Ended Infrastructure	15.0
Diversified Growth	5.0
Semi-Liquid Multi-Asset Credit	10.0
Liquid Multi-Asset Credit	15.0
Investment Grade Asset Backed Securities	12.0
Alternatives	5.0
Matching Assets	**33.0**
AAA-rated Asset Backed Securities	8.0
Liability Driven Investment ("LDI")	25.0
Total	**100.0**
*Target Interest Rate Hedge Ratio**	*94.0%*
*Target Inflation Hedge Ratio**	*94.0%*

** Target ratios are expressed as a proportion of a Fund-specific LBP based on Technical Provisions liabilities.*

More detailed information on the Fund's investment arrangements, including manager benchmarks and control ranges is set out in the Statement of Investment Arrangements ("SIA") document.

7. Day-to-Day Management of the Assets

The Trustee delegates the day-to-day management of the investment arrangements, including selection, retention and realisation, to investment manager(s) in accordance with Section 5 and as detailed in the SIA document. The Trustee has taken steps to satisfy itself that the Fund's investment manager(s) have the appropriate knowledge and experience for managing the Fund's investments and are carrying out their work competently.

The Trustee has determined, based on expert advice, a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

The Trustee periodically reviews the continuing suitability of the Fund's investments, including the appointed manager(s) and the balance between active and passive management, which may be adjusted from time to time. It does so via regular reports and periodic presentations from the appointed manager(s) with the assistance of the Fund's appointed investment consultant. However, any such adjustments would be done with the aim of ensuring consistency with this Statement.

Section 13 sets out how the Trustee incentivises investment managers, where applicable, to operate in line with the Trustee's objectives.

8. Expected Return

The Trustee expects to generate a return, over the long term, at least in line with that of the actuarial assumptions under which the Fund's funding has been agreed. It is recognised that over the short term performance may deviate significantly from the long term target.

9. Additional Assets

Members of the Fund may participate in AVC arrangements, which are invested and used to increase pension benefits at retirement, or in the event of death. The Trustee establishes the arrangements under which these contributions are invested, details of which are contained in the SIA document.

10. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Fund's overall strategic allocation and consistent with the overall principles set out in this Statement.

The Trustee has implemented a policy to manage the Fund's net cash in/out flow and details are contained in the SIA document. Within individual mandates, the investment manager(s) have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments, subject to the relevant appointment documentation and pooled fund prospectuses.

In addition, the Trustee monitors the allocation between the appointed manager(s) and between asset classes and mandates and will rebalance (or delegate this to individual investment manager(s)) as set out in the SIA document.

11. Environmental Social and Corporate Governance (ESG) Factors

The Trustee believes that environmental, social, and corporate governance (ESG) factors, including climate change may have a financially material impact on investment risk and return outcomes over the time horizon of the Fund, including how those factors are taken into account in the selection, retention and realisation of investments. The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has considered the various approaches available when it comes to integrating ESG factors and, given the Fund's investment structure, has concluded that engagement is the most appropriate approach, where possible.

In particular, as most investments are held in pooled funds, the Trustee has limited ability to directly influence the approach of the investment manager(s) to ESG factors. Therefore, the Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

This includes monitoring and engaging with relevant persons (including issuers of debt or equity, investment managers or other relevant stakeholders) about relevant matters concerning the issuer of debt or equity (including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance).

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring of investment manager ESG integration is included in the quarterly investment monitoring reports prepared by the Trustee's professional advisors. In addition, the Trustee reviews the investment managers' policies and engagement activities (where applicable) on an annual basis.

The Trustee is committed to integrating ESG issues into investment processes and stewardship practices and has set out its ESG Beliefs Statement and Stewardship Policy. The Trustee also reports in line with the Task Force on Climate-related Financial Disclosures.

12. Non-Financial Matters

"Non-financial matters" (where non-financial matters includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments.
The Trustee would review this policy in response to significant member demand.

13. Investment Manager Arrangements

Alignment of Investment Manager Objectives and Incentivisation

Investment managers are appointed based on their perceived capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark.

The Trustee seeks expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation, business management, timeliness and quality of reporting, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

Where relevant, the Trustee specifies the investment objectives and guidelines in an Investment Management Arrangement ("IMA") and sets these so that they are in line with the Trustee's specific investment requirements. In relation to pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. The Trustee will therefore select vehicles that best align with its own policy in terms of investment objectives and guidelines (as set out in relevant governing documents) and once appointed, will review the appointment should there be any material changes in these terms.

The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, the Fund's current appointments can be terminated at relatively short notice.

For each appointment, retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve the mandated investment objective. The Trustee makes this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.

Investment managers are therefore incentivised both to achieve the mandated objectives, consistent with the Trustee's policies and objectives and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long-term view when assessing the performance prospects of and engaging with, the equity and debt issuers in which they invest or seek to invest.

Performance Assessment and Fees

The Trustee receives reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and presentations from investment managers.

Investment returns are measured both on an absolute basis and relative to one or more suitable benchmarks and targets.

As well as assessing investment returns, the Trustee will consider a range of other factors, with the assistance of the investment advisor, when assessing investment managers, which may include but is not limited to:

- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Voting and engagement activity;
- Service standards;
- Operational controls; and
- The advisor's assessment of ongoing prospects.

Investment managers are remunerated by way of a fee calculated as a percentage of assets under management (in some cases subject to a minimum fee threshold). In each case, the principal incentive is for the investment manager to retain their appointment by achieving their objectives, in order to continue to receive their fee in full.

Portfolio Turnover Costs

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.

Investment managers' ongoing costs are measured implicitly through ongoing performance assessments, which are net of these costs. Turnover costs are also calculated and disclosed in the Fund's annual Implementation Statement.

The Trustee does not monitor regular cashflow costs (but seeks to minimise them through ongoing cashflow policy). The Trustee monitors the costs of implementing strategic change via the investment consultant.

14. Compliance with this Statement

The Trustee will monitor compliance with this Statement annually. The Trustee will also periodically check that the investment manager(s) have given effect to the investment principles in this Statement and the SIA document so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Funds (Investment) Regulations 2005.

13. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension fund investments. Any such review will be undertaken in consultation with the Company.

Signed: _____

For and on behalf of Syensqo Pensions Trust Limited in its capacity as Trustee of the Rhodia Pension Fund